

# ATLANTA ECONOMIC REVIEW

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BUREAU OF BUSINESS AND ECONOMIC RESEARCH

# THE ATLANTA ECONOMIC REVIEW

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## This Month's Authors

### LELAND CARLING WHETTEN

The significance of the relationship between corporation management and the stockholder is accentuated in the numerous proxy contests of recent years. Dr. Whetten's article discusses the implications of this relationship and describes the nature, types, and causes of contests, and the techniques of contestants. The article is taken from the author's full monograph on proxy contests, which recounts some of the major proxy contentions of the period 1952-1958 and examines the variety of forces culminating in the various contests.

Dr. Whetten is Professor of Accounting, School of Business Administration of Georgia State College of Business Administration.

### LESTER F. ZERFOSS

#### RODERICK F. O'CONNOR

The authors of the article "The Atmosphere in Which People Grow" have had personal experience in training and management development in industry. Their suggestions, which emanate from this experience and their current executive development and counseling specializations, are concerned with a significant element of the employer-employee relationship—the importance of the employer's creating a working climate conducive to employee-growth. The writers list a number of conditions which are basic to a growth-climate in an organization.

Dr. O'Connor is a psychological counselor to management (Atlanta), and Dr. Zerfoss is advisor for executive development, training, and industrial relations, on the president's staff at American Enka Corporation.

### STUART W. MCFARLAND

Dr. McFarland's discussion in last month's *Economic Review* was on the foreign trade of Georgia. This month he

describes the foreign trade activities of Atlanta manufacturers, including the types of products exported, marketing channels used by exporters, and types of credit terms. He emphasizes particularly the need for the exporter to know his market and to determine the marketing channel most expedient for his particular product.

Dr. McFarland, currently at Jacksonville University, is formerly of the School of Business Administration of Georgia State College of Business Administration.

### OTTIS K. McMAHON

Dr. McMahon, a partner in the firm of Rohrer, Hibler & Replogle in Atlanta, contributes the second in the series "The Management Forum." His article "Executives Are Grown—Not Made" stresses the very radical changes in habit patterns which an individual must make when he shifts from sub-executive to executive level. He points out that the executive's role has changed in recent years, along with the change in nature and size of business enterprises. The role is complex, replete with problems, not the least of which are those of human relations.

### WARREN A. WALKER

April's Southeastern Corner is devoted to the growth of metropolitan areas (particularly those in the Southeast) as measured by certain indicators: airline traffic, expenditures for new plant and equipment, and retail sales and establishments. Mr. Walker points out that the extent of expansion of existing enterprises is as vital in measuring economic development (and perhaps more so) as is the establishment of new industry. Additional capital invested in the extension of existing facilities represents a vote of confidence in the area's markets, labor supply, and distribution facilities.

ATLANTA ECONOMIC REVIEW

# ● *Management-Stockholder Relations*

as revealed by recent proxy contests

by  
Leland Carling Whetten

## TRENDS AFFECTING CORPORATION CONTROL

The high incidence of proxy contests in recent years may be attributed in part to certain trends which have appeared in the control of business corporations. These trends are threefold:

(1) *Dispersion and Attendance.* Fundamentally, it was the intent of those who conceived the corporate form of business organization that owners actively participate in all managerial functions of the company. However, in America, as the Midwest and West began to be settled, shareholders became widely dispersed. This resulting diffusion of ownership and its concomitant divorce from management have resulted in a decline in the sense of proprietorship by the rank-and-file stockholder. Stockholder meetings, therefore, have changed appreciably from those which were contemplated by the common law and which virtually all owners could and did attend. Resort to the use of the absentee ballot appeared to be a logical substitute for personal attendance. Hence, the right to vote by proxy at the annual meeting is of statutory origin.

(2) *Evolution of Control.* In the eyes of the law, the stockholder is king. This statement is true even though the stock is widely diffused. But, as ownership of corporate wealth becomes more widely dispersed, many varieties and conditions of control situations can be found. In many fields the shareholder's influence in policy formation is waning. The extent to which the individual stockholder is active in framing the managerial decisions does not fall into a single pattern; rather it is a combination of many.

Note: This article is adapted from Dr. Whetten's monograph, *Recent Proxy Contests: A Study in Management-Stockholder Relations*, which may be obtained from the Bureau of Business and Economic Research, School of Business Administration of Georgia State College of Business Administration.

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(3) *Absence of an Effective Audit with Regard to the Stockholders.* It is the duty of the management to formulate and execute business policies. It is the purpose of control to assure that execution is in line with the original plans formulated. In order for control to be effective, objective facts are essential, whether favorable or adverse to the group in power. An "audit" step is, therefore, a necessity to ferret out these data. That this audit function should be performed by one other than the original formulator is obvious. In many companies this audit is under the jurisdiction of the controller, who in turn reports directly to the board, is independent of management, and serves as a useful check on the latter. For a board to be truly independent, however, its functions also, the same as those of management, should be subject to review. To fill this need the board employs an independent public accountant whose audit treats only empirical results; the limitation to that which is empirical, however, raises doubts as to the adequacy of such an audit from the viewpoint of the stockholders.<sup>1</sup> In general, however, it has been the *quality* of managerial policies which has come under attack. When questions pertaining to policy formulation arose, it was the board and not an independent auditor that usually provided the answer. Thus, the formulator is placed in the position of judging its own work.

#### The Right To Information

It is essential that the owner-stockholder exercise his right to vote; however, his voting should be done intelligently. The channels of communication must therefore be kept open to assure full disclosure of important data. It is not enough that the motives and purposes of the board and chief executives be disclosed to the owner; in addition, those of any individual or group seeking to wrest control should also be made known to him. At law, the right to information is not absolute. It must be exercised for a proper purpose and at a reasonable time. It is enforced by a discretionary writ of mandamus.

In general, the right to examine the books of account to ascertain the volume of business, the method and efficiency of corporate management, and so forth, is governed by the common law. While early enactments may have been aimed at liberalizing the owner's right to information, they were subject to frequent abuse. A return to common law was often considered desirable. Mr. Charles Herbert Venner, considered unique in many ways, was personally responsible for this reversion in some states. "Old Man" Venner (as he was called) would buy a few

shares of stock, examine the company's records, charter, and bylaws until he found a questionable transaction. The company was then permitted to buy Venner's stock at his price, and the matter would rest. If it refused to buy his stock, he took legal action. *Time* estimates that he cost the Great Northern Railroad between one and two million dollars.<sup>2</sup>

Prior to statutory enactment, the only civil remedy of an aggrieved stockholder seeking to examine the stock list was mandamus. Early legislative enactments in many states, however, made this right absolute.

### THE PROXY CONTEST

#### The Nature of the Contest

The nature of proxy contests varies—depending on the goal sought by an opposition and the methods employed to achieve that end.

*"Grass Roots" Rebellion.* In the contest called the grass roots rebellion, stockholders are of long standing as a general rule, and rebellion is almost spontaneous. In medium to small publicly-owned companies, resort is usually made to an arranged purchase or to some other expediency.

*Representation Contests.* The contest in which representation is an issue is possible only where cumulative voting is in effect. The opposition buys enough stock to secure a seat or two on the board. The campaign situation of an opposition is simplified where representation is the issue. It is able to attack board members as being dominated either by management or by a certain stockholder interest, without the stigma of a "raid." Thus it might conceivably masquerade in an enviable position as a necessary watchdog. Moreover, it seems that the chances of winning are enhanced.

*Control Contests.* The control contests are the most common form, and the opposition strives for working control. Since adequate stock is lacking to accomplish its objective (otherwise there would not be a contest), an appeal is made to the masses of unorganized stockholders whose general discontent with existing management is counted on to turn the tide.

#### Types of Contests

There are many patterns which a particular contest may follow, whether for control or for representation. The following are illustrative.

<sup>1</sup> For example, from 1946 to 1953 Montgomery Ward paid \$357,639,000 in Federal income and excess profits taxes. A large portion of these moneys could have gone into the support of an employee-pension and profit-sharing plan had there been one. These expenditures have been irrevocably lost to the company through lower employee morale. The audit report would adequately treat the propriety of these expenditures. Would it, however, be expected to delve into an intangible item of employee morale?

<sup>2</sup> *Time*, XXII (July 3, 1933), "Milestone" section, p. 52.



**The Montgomery Ward Type.** The nearest approach to an "ideal" contest is the Montgomery Ward type. It was waged like a political campaign. The company involved was strong and reasonably successful with a national reputation, but management was vulnerable. The opposition came from stockholders whose interest had been acquired at a recent date; and, though substantial in amount, the ownership was not controlling. Here the motives of the opposition should be viewed in the light of these facts: its membership in the community of stockholders was of recent date; this newly established foothold was used to promote its own management slate; it was ready to gamble large sums on electioneering and propaganda campaigns.

**The New York Central Type.** A rather common form of contest is the New York Central type, which is distinguished (either directly or beneficially) by the large ownership of voting stock by the insurgents. In contrast, the ownership of incumbents tends to be small.

**The New York, New Haven and Hartford Railroad Type.** Two powerful shareholder groups may vie for control. This strife bears great semblance to a partnership row. The "falling out" of shareholder factions frequently takes place shortly after the death or retirement of a strong, long-time company head.

**Irresponsible Stockholder Plaguing Management.** Many contests result from management's being plagued by irresponsible stockholders. Although not all companies having experienced a repeat contest are of this nature, many have been.

**Surrender Prior to the Meeting.** In those situations in which proxies are solicited, sometimes one side surrenders prior to the stockholder meeting, as in the Minneapolis-Moline contest in 1955. The insurgent group was given seven seats on a ten-member board of directors.

#### Techniques of Contestants

Both tactics and timing are essential in a successful proxy contest. Since any individual or group having the necessary capital is capable of buying enough stock in a publicly-owned corporation to assert considerable influence, management should be alert to such a possibility. A contest is best stopped if "nipped in the bud." The Walworth Company affords an excellent example of timely defense. In 1954, Walworth was vulnerable to a potential raider. Sales, profits, and dividend payments had all declined. Stockholder dissatisfaction was gaining momentum. The management was old and held little company stock. Walworth had been spotted by two

outside groups. Shortly after this fact came to the attention of the directors, eight of them resigned. They were replaced by younger men whose stock ownership was substantial. The president retired in favor of his executive vice president, whose age was fifty-six. The company ventured into other fields and cut costs from top to bottom. With a return to higher profits, the immediate danger of a raid diminished.

#### Causes of the Contests

A proxy contest is not the usual method of changing the chief executive or the board membership. Changes are quietly arranged after discussions have taken place among groups concerned. At times, the initiative comes from stock interests of long standing. Reform to protect an important investment interest tends to be the motivating influence. Here a capable and prudent management should do much to quell the storm of discontent by tactful discussions and by general willingness to be reasonable. Over the years many managements have been strengthened by this process. If the opposition stems from stock interests of recent origin, however, the desire to get a quick capital gain appears to dominate other considerations. Either control or representation tends to be paramount. Sweet reasonableness will probably be useless, and a contest the only alternative.

Motives of either side to a proxy contest are not easily assessed. In several cases studied, it seems that groups with particular "axes to grind" took advantage of stockholder discontent to gain control for some personal reason, often inimical to those of other stockholders. For example, the writer was told on good authority that of the various members forming the protective committee in the Libby, McNeill & Libby contest, each had different motives, all common in one respect: "use Libby for personal gains." Considering the manner in which the opposition crumbled, that statement seems justified.

No two proxy contests arise from identical sources. Through a great many, however, have run certain common tendencies, forming, as it were, the warp and woof of an over-all pattern.

In general, the market value of voting stock has been well below realizable value for considerable time.<sup>3</sup> Hence the cost of working control is low when compared to the values inherent in that ownership. Inadequate earnings and dividend payments are often responsible for the low market price of stock. In the second place, the corporation under attack is part of an industry lacking promise. Because of technological or other reasons, the competitive position has deteriorated. The case of Libby,

<sup>3</sup> Joseph Dixon Crucible Company is indicative. The book value per share prior to the contest was \$139.57; net current assets a share amounted to \$84.76. Average market price of voting stock for the year preceding the contest was \$40.50.

McNeill & Libby is indicative. Libby's sales, like those of most food processors, are geared to highly unpredictable crop production. A sudden unexpected fluctuation in prices can put a dreadful squeeze on profit margins.<sup>4</sup> Finally, investment circles and the business community are dubious that existing management can and will take major action to benefit the shareholder.

**Self-Interest.** One of the mainsprings of the capitalistic form of economic system is self-interest, and competition for top managerial positions in American industry should not be discouraged, even at the expense of an occasional "raid." Contests are costly, however, in time and money. They harm a company's standing with customers and with its employees.

There are those who regard the increased number of proxy contests as a healthy sign of an aroused stockholder interest. That fact may be true of a particular case; and in instances in which management has been remiss, the contest is often beneficial. Most cases studied, however, were not attributed to old stockholders' having a real or fancied grievance against management. Rather, the ink had scarcely dried on the certificates of those leading the opposition before they were beckoning "fellow" shareholders to join in the noble crusade.

**Merger.** In several cases studied, the contest was the outgrowth of a proposed plan to merge with another company. The desire to merge may come from important stock interests, or it may be instigated by management as an expedient to thwart the "take over" attempt of an opposition.

**Desire for Power.** It would be presumptuous to conclude that an opposition is motivated by economic considerations alone. For many, power is more appealing than money—especially when the opposition is already in possession of large sums of wealth.<sup>5</sup>

**"Raiders."** "It looks like a conspiracy of some kind or other to raid the stock market. This court of equity is no place for such type of action."<sup>6</sup> Thus did Judge Sam Perry, in a Federal court in Chicago, dismiss the action brought by the Penn-Texas Corporation against the Fairbanks, Morse & Company. Such words are perhaps the nearest a judge has

come to branding the opposition a raider in recent contests.

**The "Anglers."** The form an angler may take varies. At times the opposition gravitates around a legal firm, ostensibly in an attempt to get the legal work of the corporation. Also to be included are fees for litigation in connection with the proxy contest.

**Cash and Other Items.** In addition to the possibility of a gain through selective or complete liquidation, a company under attack may be in possession of some special asset. Large cash balances are always enticing. So, too, are past operating losses which can be used for tax credits. In one case studied (Follansbee Steel Company), control was sought because of a stock exchange listing.

Ownership of stock may be obtained through a gradual purchase made in the name of brokers or other nominees. A tender offer to purchase stock at a price above market is also used. This form of attack is extremely difficult to combat because the party responsible for the tender is unknown. Success in either method, however, depends more on latent stockholder dissatisfaction than on the intrinsic purity of the insurgent's motives.

**Management Abuses.** Managerial abuses to stockholders are varied, but a study of proxy material reveals these to be the more irksome:

1. **One-man control:** Regardless of how brilliant, honest, and competent an executive may be, one-man control will sooner or later act to the detriment of a publicly-owned company. Professional management, like any other system, is open to abuse. The fact that the professional executive has few if any nonbusiness criteria or aims is good. Professionals are realists, however, and it is only natural for them to find the source of true power and work for it. Therein lies the danger. Once an individual is in complete control of a company, there is a strong tendency for all juniors to subordinate their thinking and efforts to his.

2. **Inadequate disclosure of information to the stockholders:** Ostensibly, certain executives see little to be gained by divulging financial data to stockholders. Such an attitude of apparent stockholder neglect is difficult to comprehend! A management cannot hope to remain in office just because it is competent and successful. The stockholders must, in the preponderance, consist of well-informed, investment-minded groups, and the management has a responsibility of cultivating their good will.

3. **Amendment of bylaws by directors:** The policy of permitting directors to amend the bylaws was

<sup>4</sup> When Mr. Bridges became president of Libby in 1953, it had just experienced a record of 212 million dollars in sales and of six million dollars in profits. The next year sales rose to 215.4 million dollars, but profits decreased 32 per cent to 4.2 million dollars. The year 1955 saw Mr. Bridges forced to fight off two attempts to merger and one contest for control.

<sup>5</sup> Contrast this idea to Satan in Milton's *Paradise Lost*: "To reign is worth ambition, though in hell: Better to reign in Hell than serve in Heaven." Along this same line of reasoning, Mr. Silberstein once stated: "You have to make up your mind what you want—money or power." See "No Way Out," *Forbes* (December 15, 1957), pp. 21-22.

<sup>6</sup> Penn-Texas Corporation v. Robert H. Morse, Civil Action 56 C 191 (1956).

paramount in several contests. In the case involving Air-Way Electric Appliance Corporation, the board, sensing a contest brewing, made an amendment to the bylaws increasing requirements for calling special meetings from a simple majority to a two-thirds requirement.

4. *Nepotism*: Another abuse is nepotism, the practice of placing relatives in positions within an organization. Primary regard to the merit or to the qualifications of the appointee is ignored. One study analyzing ninety-seven companies which had been involved in one or more contested elections between 1952 and 1955 disclosed ostensible blood kinship among top management in twenty-three.<sup>7</sup>

Both nepotism and the "inside board" may be strongly censured. Yet both were well represented among companies having experienced recent contested elections. Therein perhaps lies an interesting story! History is replete with lessons treating the ebb and flow of power throughout the centuries, be it political, military, ecclesiastical, academic, or economic. Each has a gradual tendency to arrogate representation to itself, and thus tends to be self-destructive.

5. *Small stockownership*: Whether a director should be required to own stock in a corporation as a condition precedent is debatable. In several contests the opposition pointed with scorn to the small amounts of stock held by incumbents and by their nominees.<sup>8</sup> Moreover, some who formed the solid core of opposition in recent contests require board members to own stock in the company they direct.

This writer is unimpressed with arguments supporting compulsory stock ownership by board members. It is the duty of a director to exercise his power for what he believes to be the best interest of the corporation.

6. *Dividend austerity*: With few exceptions, the dividend policy came under attack during the con-

test. Payments had been suspended for protracted periods in many cases; in others, they had been small or nonexistent. Marketwise, the stock declined appreciably, often below the per-share value of net current assets. Moreover, dividend suspension often persisted in spite of what appeared to be a "rather liberal buttering of top management's bread."<sup>9</sup> Faced with such a contradiction, many stockholders had a progressive deterioration in their morale.

7. *Management's indifference to stockholders*: The board of directors is the stockholder's elected representative and is therefore ultimately responsible to the investing public. The existence of a free market for capital funds is indispensable to the continuing expansion and future health of a company. Moreover, if the company makes a brand name commodity, investors are also consumers and they talk to others. It is regrettable, therefore, that some boards are very indifferent to stockholder relations.

8. *Reorganization and/or recapitalization*: The form of contest that is especially common in the field of transportation is that of reorganization and/or recapitalization. Companies with a tremendous accumulation of dividends on preferred stock or bond interest have sought to eliminate this condition by a recapitalization plan under the Mahaffie Act.

#### Relationship to the Business Cycle

A boom in the business cycle encourages the proxy contests. First, it is easy for an opposition to raise the capital with which to buy the stock. Second, the chance of making a profit on the transaction is improved, since a strong stock market and general conditions of optimism tend to prevail. The possibilities for disposing of particular properties or even the stock itself at favorable prices are enhanced. Finally, the room for general maneuver is greater than it would be during a depression.

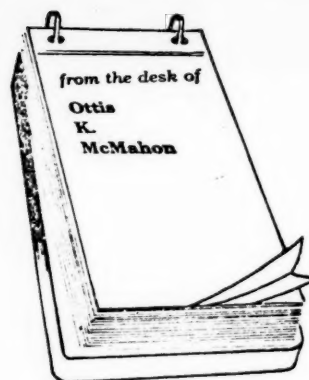
<sup>7</sup> See Leland Carling Whetten, *The Proxy Contest—Its Nature, Cause and Significance*, unpublished Doctoral dissertation, University of Alabama, 1957, pp. 119-120.

<sup>8</sup> Several directors of Yuba Consolidated Gold Fields held one share of stock. This fact was ridiculed by the opposition during the recent contest.

<sup>9</sup> The president of Minneapolis-Moline continued to receive an annual salary of \$101,000 and other benefits for at least two years following suspension of dividends. This fact came under attack during the contest, and the leader of the opposition group promised to reduce the salary in the event his slate was elected.



# THE MANAGEMENT FORUM



## *Executives Are Grown—Not Made*

The dean of one of the better engineering schools in our country recently remarked that fewer than 10 per cent of the graduates of his school failed on their jobs; but he went on to say: "What I mean is that less than 10 per cent of them fail because of a lack of technical knowledge of engineering. However, considerably more than this number fail, but their failures are due to a lack of skill in handling and dealing with human problems." This would seem to indicate that the graduates of this particular school who fail, do so because of some weakness in their personality make-up rather than because of a deficiency in engineering know-how. Now I realize that it is dangerous to generalize on the basis of this one school's experience, but it has been my personal experience that failures in positions, in general, follow the same patterns—that is, they are much more often due to shortcomings in the executives' psychological qualifications than to lack of technical know-how.

Historically, the concept of management has come through a long period of practical evolution. Within recent decades there has been emerging a concept of management as a profession. In the simple type of organization which our forebears, and in many instances our fathers, participated, the concept of management was a simple owner—"straw boss" relationship in which a man with a few helpers worked together on a common project. The operation was usually simple, concrete, and specific; the relationship was direct; the contributions of each person immediately apparent; the whole relationship was that of a very close interpersonal fellowship; and at the end of each hour or day the worker could pause

with pride and evaluate his handiwork. From this, each worker could derive much extrinsic motivation.

During the emerging and technological emphasis of the recent decades, many men who found themselves poorly qualified for the management role have become frustrated, cynical, defensive, and incapacitated. To meet this personal situation, some have become dominant, desk-thumping, hammer-and-tongs types of executives. Naturally, many of these men should never have been elevated to management. Many of them were elevated from the technological fields largely because of their tremendous success in those areas. Their understanding of people and of the techniques and functions of management have often been infantile. Many of them had not planned to become managers. Though possibly successful in managing a smaller group, many have been unable to rise to the intangible, indirect, management role which is required of those who sit at the top of the large organizational pyramid.

For the past few years there has been a growing awareness of the need for highly skilled management and supervisory personnel. Indeed, if one were to observe the trend, he would be likely to conclude that there is an acute shortage of such personnel—a very real problem! What makes for this shortage? The job of management has been changing over the past twenty-five years in a rather dramatic fashion. We have passed through the era of the one-man business, the one-man operator. Now, the company which gets ahead is the one which develops a hard hitting, progressive, unified management team. With the increase in size of our businesses and the increase in complexity of the times, the job of the top executive has become such that it is impossible for him to meet all management responsibilities. As a result there is developing an entire middle echelon of management which must function

Note: This is the second in a series of articles arranged by Professor Francis J. Bridges, Department of Management, School of Business Administration of Georgia State College of Business Administration.



as a team and which must deal with the worker in ways different from those of the not too distant past.

It takes a man of quite different habits of thinking, feeling, and acting to perform as the president, vice president, or department manager today than was true for recent years. We may not like it, but facts have never been altered by likes and dislikes. More recently, much thought and attention is being given to the management function as fundamentally an attitude toward people. No longer dare we think of the most successful worker as becoming a foreman, office manager, supervisor, superintendent, sales manager, or president. Management is very rapidly becoming a profession which has its own theory, its own practice, its own fundamentals quite as much as the profession of law or engineering or education. Men must be sought out who have or can develop the characteristics which are peculiar to the function of administering persons and groups. Training and experience in other technologies is no guarantee that a person has management potential. Men with good executive potential are hard to find; and, when found, they often take years to develop and grow into their jobs.

The executive of today first of all must be a person who can get the job done through others. He must have great stamina to stand up under the stresses and strains to which he is subjected. He must be able to choose subordinates who can and will develop well and must know how to coach them so that they will be stimulated to grow. He must maintain the competitive enthusiasm of men desirous of promotion, yet at the same time get them to pull together as a team. He must have a willingness to accept and carry heavy responsibility and the stamina to stand up under it. He must be able to make those decisions that he should make, quickly and firmly, yet he must be able to delegate authority for decision and action wherever possible. The job of an executive today is not easy, and it is growing tougher.

The obvious question is where do you find these men. The equally obvious answer is—you don't find them, you grow them. Simple, easily-administered psychological tests have been developed which do a relatively good job for selecting clerks, machinists, and the like, yet every attempt to develop such a simple paper and pencil test for selecting executives has had only very limited success, actually it has failed. In my opinion, one of the major reasons for this failure lies in the fact that the success or failure of an executive depends not upon becoming overextended in any particular specialized field, but rather is a reflection of his entire behavior—all of his habits appearing day in and day out. It is also a reflection of the fact that whereas many individuals possess basic abilities which can be developed into executive skills, these skills do not evolve without considerable culturing, fertilizing, watering, and

weeding.

Many think that management consists of "know-how" in the various technical fields which they are asked to supervise. They fail to realize that, when a person achieves a management position, approximately ninety per cent of his time must be spent in the selection, development, and supervision of people, while in his technological days ninety per cent of his time was spent in doing the job in which he has "know-how" and perhaps ten per cent of it in the problem of human relations management. This is a very radical change in the career of any individual and one which he may or may not be able to make. The fact that many of these changes occur to men and women after the age of forty or fifty complicates the problem somewhat because of the development of strong habit patterns which are not readily and easily changed.

Becoming an effective executive involves major shifts in habits. It involves major changes in ways of thinking, in attitudes and feelings, and in the sorts of activities and accomplishments from which an individual gains his own personal satisfactions. Let's look at a few of these.

From early childhood every individual grows in a society in which what he receives is primarily a direct function of what he himself actually does. You are graded on your efforts in algebra, not on the class's performance. As a salesman you are rewarded for the amount of sales orders you turn in, not primarily for the total sales volume. It represents a major change when, coming from this competitive, highly individualistic background, a person is asked to assume the responsibility of getting the job done through others.

Along the same lines, the larger the executive responsibility, the less day-to-day tangibility of accomplishment is apparent. This is perhaps one of the reasons that people far down the line often say that the executives don't do anything except lounge around their offices. In an executive job it is rarely possible to point to something today which represents tangible results of the day's efforts. This represents one of the major problems encountered by those moving into executive positions from highly technical, concrete jobs.

There is a very real difference between the individual who derives his daily food of satisfaction from being able to say, "Look what *I* did; look what *I* accomplished," and the person who builds up his ego by saying, "Look what *he* did; look how *he's* learning; look at *his* enthusiasm; look at what *he* accomplished." Yet the transition in the same individual from the first stage described to the second must take place over a period of time if he is to perform effectively in an executive position.

The shifts in emphasis and attitudes that have been illustrated here represent only a few of those that are involved over a period of time as an individual grows in executive responsibility.

by Harvey L. Vredenburg

## TRADING STAMPS IN THE SERVICE STATION

(published by the Bureau of Business and Economic Research, College of Business Administration, State University of Iowa, Iowa City, Iowa)

This monograph by Dr. Vredenburg, Department of Marketing, State University of Iowa, provides an objective analysis of the advantages and disadvantages of the use of trading stamps in a single field—the service station. Some of the conclusions drawn from this study are quoted below.

Under favorable conditions, service stations using a strong stamp plan may secure the following benefits:

1. Increased volume sufficient to offset the cost of stamps.
2. Increased sale of TBA, parts, and service; but, at a slower rate than the increase in gasoline sales.
3. Better prices.
4. Improved net profits.
5. More loyal consumer patronage.
6. Better margins.
7. Reduced services.
8. More "fill-ups."
9. Help in keeping the station ahead of competition.
10. Reduction in advertising when other stamp plans are not widely used in the market.
11. Assistance in collection of credit accounts.
12. Attraction of new customers.

Under unfavorable conditions, some operators presently using trading stamps will feel compelled to drop them because of the following disadvantages:

1. The cost is difficult to absorb.
2. They are a nuisance.
3. Trading stamps create ill will.
4. The promotional and merchandising program is less flexible.
5. Competitive retaliation is aroused.
6. Benefits are neutralized by competitor's stamp plans.
7. Price manipulation may be increased.
8. The bargain-hunting type of customer is attracted.
9. A larger part of added volume comes from sales of low profit items—especially gasoline.
10. Net profit margin is reduced.
11. Advertising must be increased.
12. Mental discomfort of the station operator.

Additional generalizations which may be made pertaining to the use of trading stamps in gasoline stations are:

1. The best stations tend to have the strongest stamp.

2. Weak stamps tend to be associated with marginal service stations.
3. In most markets only one or two brands of stamps are truly an asset to service stations and the difference in value is substantial between stamp brands.
4. When retail competitors turn to stamps, a strong stamp is vital.
5. A weak stamp is of little value at any time and may be a liability when stamp competition becomes strong.
6. A few stations can compete against a successful stamp, but many operators will suffer.
7. Shift of service and TBA\* business can improve non-stamp station profits, even when total volume of business shrinks.
8. An ineffective operator is inclined to be unsuccessful even with a strong stamp.
9. Despite the extensive publicity given to trading stamps in recent years, station operators have limited knowledge of the advantages and disadvantages of trading stamps to the service station business.
10. Both stamp and non-stamp operators lack confidence in the advice of producer representatives. Operators feel they should have been given better counsel and voice criticism of field men.
11. Because they do not operate the program properly, most station operators using stamps, including those with successful programs, are not maximizing benefits of their plans.
12. Stamps will continue to be a factor in the service station business in the foreseeable future.
13. Unless a strong stamp is available in markets already using stamps, non-stamp stations will need to find other promotional instruments to compete with stations using stamps.
14. Trading stamps will not make a business success of a business failure.
15. For many businessmen, prejudice and a hostile attitude toward stamps make objective analysis and decision-making pertaining to trading stamps difficult, if not impossible.
16. For many station operators, the stamp decision has already been made—by default—unless a good stamp is dropped by a competitor.

\*TBA is a trade expression for tires, batteries, and accessories.

(The monograph *Trading Stamps in the Service Station* may be obtained from the Bureau of Business and Economic Research, State University of Iowa. Single copies, \$1.00; 10-100 copies, 60 cents each; 100 or more copies, 40 cents each.)

# *The Atmosphere In Which People Grow*

by

Lester F. Zerfoss

and

Roderick F. O'Connor

If one were to search for a company whose management climate is most likely to have in it naturally many of the conditions needed to stimulate the development of its people, he would be quite apt to find the best example in a small new company, struggling to gain a foothold in its industry, or in a company going through a period of rapid expansion. Both of these situations would necessarily have management climates characterized by rapidly changing conditions—the urgent need for action, the taking of great risks, decisions made under conditions of trial and error, opportunity to make and suffer the penalties for mistakes, driving pressure to meet commitments and goals, the challenge of innovation, and a spirit of adventure — and most of all, there would be the opportunity to tackle and solve tough problems.

As a company stabilizes itself and becomes more mature, many of these optimum growth conditions inherent in its early history are lost. How often does a father who has learned much from the school of hard knocks set up conditions to protect his children from the risks, the dangers, and the freedoms which he encountered in his own boyhood days? "I will make life easier, safer, and more predictable for my child," he says. And in his effort "to be good" to his family he deprives them of the conditions needed for their growth and development.

This same type of thinking gets into the management climate of a company. Jobs are limited by definition. Responsibility is measured out in slow and even doses. Authority is carefully preserved and protected. Direct personal contact gives way to written reports and recommendations, often artificial in their characteristics. Many checks and balances on action grow up in the process of cutting through levels of organization and numerous committees. Written policies water down judgments and decisions; procedures take the guesswork, the risk, and

the fun out of working relationships. The total effect of these (and many more that could be mentioned) trappings of the mature organization is debilitating, degrading, and stifling in its effect on people. The price that is paid all too often for the controls of stabilized management may be so high that the company may not be able for long to maintain itself on a healthy, profitable basis.

Paradoxically, the change from a growth climate to a stagnant climate is sometimes such a smooth, easy transition that the people inside the company may be the last to know that the conditions which created growth in the first place have actually been lost. The momentum of early success and the company's early reputation for growing people may project into the period of decline and leave those in positions of responsibility with a feeling of well-being long after the deterioration has set in.

Ralph Waldo Emerson has pointed out to us that "every institution is the lengthened shadow of a man." In the authors' context, perhaps the primary insight into this principle of life is to note the impact of a great man's thinking on those who follow him. Surely we are not stretching the point too much to note also that the lengthened shadow necessarily lacks the virility and vitality of the man whom it represents.

The question arises: What can a company do to maintain or recapture these primary growth conditions? In organizations, including some of the big companies, that seem to have preserved and kept alive these growth qualities, it will be noted that expansion, turnover, reorganization, diversification of product, or the periodic infusion of new leadership blood are strongly identifiable in their histories. Whatever circumstance a company is in—vigorous growth or leveling off—it is important to appraise the company so that those conditions stimulating growth can be preserved and those conditions losing their growth vitality can be reinstated.



The management of the company must make strenuous efforts to detach themselves from the close-ups of which they are a part and gain the perspective they will need to make such an appraisal. The time when this job needs to be done is not when there are symptoms of low morale, lowered productivity, and consequent loss of profitability. The evaluation should be done when a company is most successful, most sure of its program, its people, and its other resources. Success inevitably breeds stability and complacency, and too often it is taken for granted that the elements which led to the growth of the company and the individuals still exist and require no attention to maintain them.

An example will highlight this difficulty of maintaining growth conditions. When the boss moves up and hires a new man to do his previous job, a number of conditions automatically change. The new man must fill a job organized and systematized by the boss he now has, and he becomes a victim of that system. Too often he is well on the way to becoming a shadow before he has become an identifiable person. The methods which the boss himself worked out with such great satisfaction years ago have now been frozen into dull, formalized procedures which the new man passively or resentfully follows. He cannot find the job satisfaction and warm feeling of accomplishment which still lingers in the mind of the boss who remembers his own sense of achievement at the time he liberated himself with the systems he created.

In short, the same procedure which liberated its originator to go on to more creative work has imprisoned his subordinate. In the name of control and efficiency, his subordinate has been reduced and degraded. A good start has been made in stymying his future growth. How often does the man who worked out the original procedure in order to improve his own efficiency fail to recognize the point at which that procedure becomes a restrictive control on the other person's job performance. It perpetuates mediocrity and forever makes *good* the enemy of *better* and *best*.

One aspect of the problem, then, is: What are the conditions which will stimulate growth? What steps can be taken to insure that such conditions can be purposefully and continuously built into the environment?

The working environment in which a manager finds himself may highly stimulate growth, be sufficiently good to support growth, or may actually inhibit growth. Let us attempt to identify the conditions which stimulate growth and to state them as general principles which can be observed in any company where they exist. These principles, we hope, will be specific enough to serve as individual testing points which management can use analytically to evaluate and appraise the degree to which its climate supports and encourages the development of its people.

## BASIC GROWTH CONDITIONS

### **A company's growth climate is exemplified in a man's boss**

The single most important element in a growth climate is likely to be a man's immediate supervisor, particularly when he is a real participating member of the managerial work team above him in the organization and can reflect adequately and accurately the organization climate to the work group of which he is the leader. Through his leadership most, if not all, of the values presented in this article are translated into the dynamics of organization. In a real way, by his personal behavior and his attitudes toward others in the organization, he personifies and exemplifies the growth climate. Under this type of work-group management, there is provided naturally a climate in which the subordinate "catches" through his contacts and day-to-day work activities the basic growth lessons he needs.

### **A company must see each person as an important individual**

The individual must be viewed as a respected person who is important to the company and to himself. Management not only is interested in the man for what he can contribute to the work of the organization, but is genuinely interested in him for his own sake. Management may question, "We are such a large company—so many employees—how can we possibly be personally in touch with every man who works here?" The real question may well be, "How can we afford not to be personally in touch with every man who works here?" It must be the constant concern of those in authority above this individual that his individuality be both understood and respected. The guidance of his activities should spring from a constant concern to promote and defend every opportunity that can be given him for his self-development. To this end the people over him in the organization will need to have certain convictions and beliefs with regard to him.

### **The employee's concept of himself reflects his superior's impression of him**

The fundamental reason why it is so important that the boss have proper attitudes toward those who work under him is that a man's concept of himself tends progressively to change in the direction of the impression of him that his superiors hold, both in their formal appraisals or informal judgments of him.

Most of us have had the experience at some time of working for a boss who had faith in our competence, and also at other times for a man who had very little faith in us. Under the first kind of boss the individual finds himself doing things beyond what he thought was his ability. "I didn't think I could do it but I don't like to let the boss down, so I did it anyway." Such a boss is one who will say,



"Here is a job to be done. I don't know how to do it and I don't know of anyone who does. But I want you to do it and have confidence that you will find a way."

A supervisor who does not believe in people is the kind who commonly says things like this: "Whenever I want anything done right I have to do it myself"; "People do not really want responsibility in these days and times"; "My people do not have enough experience for greater responsibility." This kind of boss always has plenty of reasons to justify his lack of faith in people, and you will find the proof present in his own organization. Under such a superior, people typically are incompetent, and they are afraid to take on any responsibility. But evidence of the opposite kind will be found in organization in which the boss really does believe in his employees. In short, both the boss who possesses confidence and the one who lacks it will have ample day-to-day proof in their own organizations to justify the attitudes they hold.

All of this is related to a trend of theory in psychology referred to as "phenomenology." In this theory it is held that a person's conduct is guided to a major degree by his self-concept. An individual's self-concept stems principally from the attitudes which significant people have about him. In an employment situation the most "significant" person is the boss, and it is awfully difficult for an individual to withstand the impact of his superior's attitude toward him.

#### **Each job must be seen as an important job**

Supervision dare not lose sight of the fact that the individual is doing important work. There is a tendency in organizations to talk about "key" jobs, to worship the star performer, to identify and reward leaders and forget the followers, to develop a few "fair-haired boys" against a background of a nondifferentiated group of people. At any point where the supervisor of an industrial work group sees an individual on his team as doing a second rate job of no great importance, the morale of the entire team is threatened. Every man has a right to be proud of a job well done and ashamed of one which is not well done.

The leader develops only as his work team develops. Many companies fall into the trap of believing they can appraise their supervision and "key" men and ignore their clerical workers or technicians. A leader is a leader only in relationship to followers. The star of the team can perform his function only in terms of team support. The difficulties that the great "Red" Grange experienced when he left college football for professional football exemplify the necessity for loyal, sacrificing team support as a condition of successful stellar performance. The leader who loses his ability to identify himself with his team will inevitably lose the respect and support of that team.

April 1960

#### **A company must expect much from people**

The management which has faith in the potential of the individual will expect much from him. In general, a man wants to do and is able to do more than he is now doing. One of the happiest contact moments between a man and his boss is that moment when the man, stretching to meet the demands placed upon him, hands back to his boss productivity that exceeds the boss' expectations. How often the growth element in that contact is stifled by the boss who is too busy to understand the joy of the producer and to recognize the extra skill, art, and loyalty that have gone into its production.

#### **Mistakes are seen as a necessary part of growth**

The supervisor's attitude toward the mistakes that an individual makes is a highly important element in his work climate. The supervisor who learns to use the mistakes of a subordinate as learning opportunities has gone a long way toward turning these mistakes into positive values rather than leaving them as negative irritants. At the point where the individual knows what went wrong which caused him to make the mistake, what he would need to do the next time to prevent the mistake from happening, and why it is important that improvement take place in this area of his work, his growth has reached a new high and he has really been on the receiving end of the thing we call "guided experience."

Conversely, the supervisor with more limited vision who sees the mistakes of a subordinate only as stern occasions to exercise critical judgment, find fault, and support disciplinary action must inevitably stymie his own growth as a supervisor and deprive the subordinate of a real opportunity.

#### **A company must make accomplishment the real basis of the individual's security**

The supervisory climate in which a man works must be a secure climate. However, this security cannot be the conventional kind of security based on seniority and group protection. It must be a security in which the fairness of treatment is based on four factors which the individual can earn for himself regardless of the time he spends in the organization. These four security-getting factors are: (1) the opportunity to do as much as he is able to do, (2) the assurance that he will have his accomplishments honestly and accurately understood and recognized, (3) the expectancy that he will be rewarded for accomplishment as he deserves, and (4) the faith that the company will maintain for him a bank of good will—loyalty, service beyond the call of duty, and all of the other extra values he gave will not be forgotten when his productivity is past its peak. The first three factors of security can never beget loyalty and productivity in a company which forgets the fourth.

### **Orientation must be seen as prerequisite to growth and development**

The supervisor must realize that the individual produces most and grows best in a work climate to which he is oriented. Basically this is just good communications at a thoughtful level. It answers the question for the supervisor, "What does this man need to know now to feel at home in his work setting?" Obviously, the supervisor who projects himself into the needs of his subordinate realizes that the subordinate feels about the same way that he, the supervisor, would feel in the same situation. He wants to know in advance about any changes that will affect him. He needs to know where he stands. He needs to know the "why" behind his work activity. He needs to know the way in which his work fits into the work of other people and contributes to the needs and the objectives of the organization as a whole. He needs such plebeian support as to be introduced to strangers who pass through his work area. He wants his status protected in releasing news; he wants his boss to beat the grapevine. He wants to be an essential link in communications to those below and beyond him in the organization.

### **Integrity of character is made the basis for mutual trust**

Certainly one of the most important elements in the rightness of climate to support growth is the faith that a man arrives at through personal experience. His working relationships must tell him, "I am working with people of integrity. Their word is as good as their bond. The decisions which will be made will be based on principles, sound thinking, rather than on expedient or political bases, so that administrative action will be guided by what is right rather than by who is right." When these values are strongly entrenched in practice as well as in theory, they provide the individual with a consistency and stability of support that insures growth even when the going is rough.

### **Development of people is recognized as the basis for further development of people**

A growth climate can exist only in a company in which most of the people most of the time are experiencing progress, accomplishment, and attainment of goals. The old adage "nothing succeeds like success" is basically true when applied in this context. One of the characteristics of an intelligent human being is that he tends to do more of the things which work and give him satisfaction and he tends to do less of the things which fail and deprive him of satisfaction. The desire to win can be counted on. The likelihood of the individual's winning in the future is considerably enhanced as he has gained confidence through winning in the past. If we stop and think for a minute about the conditions which we want to prevail when we are playing a game, it

gives us some insights into this basic element of climate. We play best when the rules are fair, when we understand the rules and principles of the game, and when we feel sure of our ability to face the competitors against whom we play. In order to remain good players, we must never lose the faith that *we can win*.

### **Work experience must be made meaningful**

A growth climate is highly charged with the *why* behind the activity in which the individual engages. He must know the theory behind the practice, he must be able to identify the principles that he is applying, he must be aware of the assumptions which predicate his choices and decisions. In other words, he must approach his work at the highest level of intellectual understanding of which he is capable. Arbitrary decisions, unreasonable demands, and haphazard behavior frustrate and degrade him. The supervisor who can explain the reasons behind the thinking he is doing is far more apt to be doing the right thing than the one who merely can say, "The boss wants it done this way." While it is easy to see this principle at work in jobs which are mainly physical, the principle holds even more true in the areas of abstract, complex mental activity.

### **A company must work toward a climate of mutual concern**

A growth climate is always characterized by sharing. The sharing concept takes on many forms within the work group. There must be a willingness to give and take, a regard for fairness, the willingness to subordinate oneself for the good of the group, the willingness to abide by consensus of feeling in decision making, the willingness to shift roles from leadership to followship and vice versa, the willingness to engage in team play with someone else in the star role. It is in the use of these powerful psychological identifications of the individual with his group, in which he gives strength to his colleagues and in turn counts on them to meet his demands, that we get at the hard basis of teamwork which makes an organization possible. While we know too little about how this esprit de corps is achieved, failure to achieve it at the level of mutual concern makes true growth impossible.

### **A company must work toward a climate of freedom**

The growth climate is characterized also by freedom—freedom to think, to talk back; freedom to disagree, criticize, suggest change; freedom to make choices; and most importantly, freedom to live up to the spirit of the rules rather than to be limited to the letter of the rules. The rule may say "you can't smoke in this room," with the implication that you will be disciplined if you do. A higher level of freedom in group relationships is attained when the in-

dividual says, "I will not smoke in this room because I would not want to make other people uncomfortable because of lack of ventilation." His restraint is due to consideration of other people rather than to following a rule. While, from the point of view of presence or absence of smoke in the room, the result is the same—the difference in terms of the preservation of human dignity is hard to measure. Perhaps this is just saying that insofar as possible a growth climate makes it possible for the individual to live at his highest level of insight, courtesy, consideration for others, and his own self-respect.

#### **A company must recognize the positive values in change**

In a growth climate, change in all of its many forms must be perceived as an opportunity for improvement. Organization changes thus become not evidence of instability but opportunities for promotion, new experience, and training of personnel, which means opportunity to make better decisions, remove barriers, break with tradition, move closer to long-range plans and goals. When the people in an organization see change as opportunity, criticism becomes constructive, procedures do not masquerade as policies, and current standards do not become obstacles in the way of progress. The alert administrator, by taking advantage of the changes which inevitably will affect him and his people, gets "for free" motivations for growth which are genuine and completely effective. There is no time in a man's life when he is more apt to learn quickly and effectively than when he adjusts to the demands of a new job. Solving the problems created by change forces the growth of the people who must solve the problems. The administrator who finds his merit budget cut in half may meet this change in his resources in one of two ways: he may lose leadership with respect to some of his people or he may gain it. But, if he is able to meet his responsibility for morale in spite of his loss of resource, he will become a much stronger leader for having solved the problem.

#### **A company must recognize an individual's right to be himself**

A growth climate is one in which both the differences and the likenesses of people are recognized. Wherein people are alike, they want to be treated uniformly. Since people are basically alike in their need to be considered for promotions, they demand that their qualifications be reviewed so that no one is overlooked. Wherein people are different, they want to be treated differently. Because of the fact that each one recognizes that he is different in some degree in his ability to cope with the problems of the new job, he expects the decision on promotion to be in terms of being the *best* of the *good*. He can accept the fact that he is more able or less able than others who are being considered, and to the extent that he

realizes that his individuality has been considered, he can accept the decision even when it is unfavorable to him. The supervisor must always keep in mind that all people who work with him, including himself, are alike in kind and different in degree.

#### **In the growth climate, sympathetic understanding of people illuminates judgments**

In the growth climate there is a minimum of typing or labeling of people in terms of traits or dominant characteristics. There is a recognition that such labels and characterizations are meaningless or even detrimental as guides to administrative action or judgments of people. In the growth climate, labels like "loyal" or "honest" can never be thought of as personality qualities which the individual has in a general, all-inclusive sort of way. Rather they are attributes of a specific situation or experience, and as such can never be tacked to the person in general. They can have value only when they are a part of a specific incident, and therefore will be helpful in judgments only insofar as identical situations in the future may bring out or illicit the same behavior. Therefore, the growth climate is skeptical of critical incidents, behavior samplings, psychological tests, and other devices used to quantify judgments of people; and it recognizes the real danger of these determinants in placing barriers and limitations along the line of individual progress.

#### **In the ideal growth climate, experience and learning are inseparable**

An old adage has taught us down through the centuries that "experience is the best teacher." We might edit that concept by saying, "experience is the only teacher," for there is no other. Having an experience does not guarantee that the learner will have learned from it the things which the teacher or supervisor planned that he should learn. When the supervisor corrects a mistake of a subordinate many things might be learned in the process which are not identifiable by the supervisor. The supervisor may say he is teaching this man to raise the standards of quantity. The subordinate, on the other hand, may be learning that his boss is unreasonable; that mistakes are not permitted in this company; that he is not suited for this type of work; or that if he makes another mistake he will conceal it if possible so that he does not have to repeat the unpleasantness of reckoning with it. While we can be sure that the experience will always teach him something, we do not always know what that something will turn out to be, nor do we know how fully to guide the experience so that the something will be channeled into the most constructive outcomes. Since this is true, that climate is most conducive to growth wherein there is a maximum opportunity to evaluate freely *by the learner* the learning that has taken place as he sees it.



# European Wage Scales

Malcolm L. Denise

*Appearing in last month's issue of the Atlanta Economic Review was a discussion of the present American balance of payments dilemma. The surge in industrialization of Western Europe has meant that America faces a world market which is becoming intensely competitive. This competition is demonstrated in the recent decline in U. S. exports and the rapidly rising volume of imports.*

*The following excerpt is from an article\* by Mr. Malcolm L. Denise, General Industrial Relations Manager of the Labor Relations Department of the Ford Motor Company, in which he points out America's cost disadvantages in wage scales as compared to other countries.*

There is tremendous new strength and growth in the European economy. More countries are enjoying greater national solvency than in many, many years. There is substantially higher employment everywhere. Living standards are climbing sharply, a great single mass market is developing and European industry is furiously mobilizing to meet it.

Since 1950, Europe's economy, and particularly its industry, have been overtaking us at an accelerating pace. In the period 1950 through 1957, for example, Europe's Gross National Product increased 88 percent compared to our 49 percent. Moreover, these countries are fast adopting modern managerial organization and practices. The old ties of tradition, the old habits of high-cost, low-volume cartelized production and pricing have largely gone by the board.

I think all of us have reason for both pride and satisfaction in this. Europe's recovery has been a major goal of this country. That job appears to be just about done. It has been done not only by government aid, but with substantial help from American business. We have literally opened our box of industrial secrets and turned it inside out for our European friends.

Proud as we may be of the results, we must also be realistic and admit that the rate of Europe's progress poses new problems for us. Traditionally, of course, Europe's wage scales have been substantially lower than ours. In certain occupations, the differential is considerable. For example, the cost per hour for purchasing automotive tools and dies from independent producers in the Detroit area is \$7.90 per hour, as compared to \$3 per hour in England, and as low as \$1.60 per hour in Milan, Italy. The current hourly base rate for a Ford assembly line worker in the auto industry here is \$2.44, compared with \$1.05 in the United Kingdom and \$.69 in Cologne, Germany.

The examples can be multiplied in other industries. And in Japan, another sophisticated and booming economy, wages run roughly 14 percent of comparable American rates.

Traditionally, American industry has been able to meet and beat wage competition because of its greater capital investment, its superior plant, equipment, managerial methods and economies of scale. We have now largely lost this advantage, particularly in industrial production. Given the developments I have described in the European economy, the wage differential alone will become increasingly significant to American manufacturing industries. It is likely, of course, that Europe's wage scales will increase in the years ahead. It is unrealistic, however, to think that in the next decade their wages will catch up with American wage costs.

How is America going to face the challenge of swift industrial development abroad that threatens our competitive position? Rather than seeking to restrict trade, we should be doing the things that will enable us to compete — to swim strongly in a stream of expanding world trade. If America's cost disadvantage continues to increase, however, it seems to me that we must anticipate much more sourcing of parts and products abroad. A trend in this direction is already evident. What is now a trickle may grow to a flood which could disrupt both production and employment patterns here in the United States. If the alleged panacea of shorter working hours at higher pay were adopted, in a misguided effort to increase employment, it would only hasten this trend.

If we want to sell in expanding world markets, and more importantly if we do not want to see American production and jobs disrupted by the flight of capital and industry abroad, we are going to have to remain competitive in design, quality, costs and prices with foreign industry.

Some of our union leaders recently have been suggesting that the solution is to go to Europe and Japan and start pumping up the wage scales over there, using our tariffs as a weapon to force such action. To the contrary, capital is flowing into these countries to the benefit of all their economies. I suggest that instead of trying to upset their economies, we concentrate on correcting the deficiencies of our own.

\*Quoted from Malcolm L. Denise, "Unions, Management and the Public Interest," *Business Topics*, Summer 1959, published by the Bureau of Business and Economic Research, College of Business and Public Service, Michigan State University, East Lansing, Michigan.



# Foreign Trade Activities Of Atlanta Manufacturers

by

Stuart W. McFarland

Atlanta and other Georgia manufacturers are not as active in foreign trade as are manufacturers located along the Atlantic Seaboard and shipping out of Philadelphia and New York. For the United States as a whole, 23 per cent of the value of foreign trade in 1956, both exports and imports, represented value added by manufacturing,<sup>1</sup> but for Georgia the figure was about eight per cent.

In 1955 the Atlanta League of Women Voters (an organization concerned with many social and economic questions) conducted a survey among 450 Fulton County firms engaged in all business categories, excluding farming. The League's survey was reasonably well sampled. It realized a 30 per cent return on 450 questionnaires sent to businessmen, with 75 personal interviews also used to support the study. Of those businessmen responding, 44 per cent stated that they engaged in exporting, and 39 per cent stated that they did some importing. The dollar volume of foreign *export* business of most firms averaged 10 per cent of sales. This appears to be somewhat high for Atlanta's *export* ratio, but is close to and usable as Atlanta's *foreign trade* ratio.

The League's figure of 10 per cent of sales as foreign trade shipments for metropolitan Atlanta not only coincides with state of Georgia data based on actual customs figures, but is also consistent with the findings of two other independent studies conducted over time for the total South.

In a talk before the Southern Economic Association in November, 1956, Mr. R. W. French, Director of the New Orleans Port, expressed the feeling that foreign trade was of less importance to the economy of the South than to the states outside the South or

to the nation as a whole. He concluded that exports then represented no more than six or seven per cent of the South's production. Mr. French also commented on a study conducted by Professor B. U.

TABLE 1  
NUMBER OF ATLANTA FIRMS, BY INDUSTRY  
CLASSIFICATION, ENGAGED IN FOREIGN TRADE, 1955

Industry Classification	Number of Firms in Atlanta	Number of Firms Engaged in Foreign Trade
Fabricated Metal Products.....	222	22
Food and Kindred Products.....	205	8
Printing and Publishing.....	189	—
Chemicals and Products.....	168	18
Lumber and Wood Products.....	146	10
Stone, Clay and Glass Products.....	137	8
Textile Mill Products.....	109	22
Machinery (except Electrical).....	100	18
Apparel and Related Products.....	85	4
Furniture and Fixtures.....	82	—
Miscellaneous Manufactures, toys, signs.....	47	—
Pulp, Paper, and Products.....	39	10
Transportation Equipment.....	30	—
Electrical Machinery.....	16	8
Rubber Products.....	15	—
Primary Metal Industries, Foundries.....	12	—
Leather and Leather Goods.....	7	—
Petroleum and Coal Products.....	5	—
Tobacco.....	0	—
Ice Industry.....	10	—
Unaccounted for.....	1	—
Total.....	1,625	128

Source: Data for total number of firms obtained from Industrial Bureau, Atlanta Chamber of Commerce. Data for firms engaged in foreign trade obtained from World Trade Directory, Atlanta Chamber of Commerce, 1955. It should be pointed out that the World Trade Directory includes only firms which requested listing, and in some cases firms which are interested in but are not actually engaged in foreign commerce.

Note: This article was prepared under a research grant from the Bureau of Business and Economic Research of Georgia State College of Business Administration when the author was on the faculty of this institution.

<sup>1</sup> Statistical Abstract, U. S. Department of Commerce, 1958, p. 777.

Ratchford,<sup>2</sup> who found that in 1926-1929 exports represented 20 to 25 per cent of value added in southern production, dropped to 12-14 per cent in 1936-39, and then to 9 or 10 per cent in 1945-46. The 10 per cent figure also tallies closely with the U. S. Department of Commerce ratios for Georgia.

#### Type of Foreign Trade Activity of Atlanta Industry

It will be noted from Table 1 that export and import activity in Atlanta is concentrated in fabricated metal products, textile mill products, chemicals and chemical products, and machinery; and to a lesser extent in lumber and wood products, pulp, paper, and paper products, stone, clay and glass, and food.

Atlanta firms reporting export activity rarely mentioned tobacco, petroleum, rubber, leather products, transportation equipment, instruments, and primary metals—commodities which are actively shipped out of northern ports.

#### Marketing Channels Used by Exporters

An analysis of the data for 97 Atlanta firms listed in the *World Trade Directory*<sup>3</sup> shows that most Atlanta industrial groups sell abroad both directly through their own sales or export departments and through an export merchant or other organizations.

A study conducted by *Dun's Review and Modern Industry* in 1957, covering the same lines of goods exported by Atlanta industry, shows a heavy reliance on agents and distributors (Table 2). This study also indicates the amount of compensation an exporter must pay agents or distributors abroad.

If conditions permit the exporter to use the foreign commission agent, the exporter has an advantage in that there is little or no charge until the goods are sold, thus releasing funds with which to pay the

<sup>2</sup> B. U. Ratchford, "The South's Stake in International Trade—Past, Present, and Prospective," *Southern Economic Journal*, April, 1948.

<sup>3</sup> See note to Table 1.

TABLE 2  
REPRESENTATIVE FOREIGN OUTLETS USED BY 118 U. S. PRODUCERS  
OF SELECTED CLASSES OF GOODS\*

Class of Goods	Number Foreign Outlets Used	Foreign Representative Used		Commission or Compensation Paid
		%	Agent	%
Textile Mill Products				
Yarn mill products	29	100	Sales agent	10
Woolens, worsteds	6		Agents, affiliates	5
Fabricated Metals Products				
Heating, cooking apparatus	30	20	Agents	10
		70	Direct to dealers	
Structural steel, ornamental metal	6	100	Direct to dealers	22½
Screw machine products	58	100	Direct to dealers	5
Chemicals and Products				
Plastic materials	18	67	Agents	5
		33	Distributors	
Pharmaceutical preparations	246	100	Distributors	15
Paints, enamels, varnishes	12	100	Agents	10
Fertilizers	67	100	Agents	1½
		8	Their own branches	
Essential oils	278	80	Agents	3 to 10
		20	Direct to dealers	
Cosmetics	217	80	Agents	10
		20	Direct to dealers	
Machinery (Except Electrical)				
Agricultural machinery	177	50	Agents	25
		50	Distributors	
Construction, mining machinery	29	50	Agents	10
		50	Direct to dealers	
Metal-working machinery	12	100	Agents	n.a.
Textile machinery	29	100	Agents	10
Paper industries machinery	21	100	Agents	10
Printing trade machinery	3	50	Agents	n.a.
		50	Distributors	
Pumps, compressors	32	50	Agents	10
		32	Distributors	
		18	Direct to dealers	
Industrial trucks & materials handling equip.	63	100	Agents	n.a.
Refrigerators, air conditioning	n.a.	100	Distributors	n.a.

\*The classes of goods shown are those most frequently listed as sold by Atlanta exporters.

Source: *Dun's Review and Modern Industry*, December, 1957, p. 76.

agent. The exporter's working capital is protected in this manner. However, if the exporter cannot afford to wait, say four to six weeks, for an agent to make significant sales, the exporter might consider the use of foreign distributors, who buy outright and thus provide immediate sources of ready cash to those exporters with limited capital.

It must be borne in mind that a distributor — another word for “wholesaler”—traditionally is not as promotion-minded as the commission agent. The distributor might have 30,000 items, such as drugs, in his warehouse, and thus must have a heavier gross margin to market a specific item, to get his salesmen to concentrate on it. The commission agent, on the other hand, has technical know-how, the proper contacts and reputation, and generally is a good salesman. If the exported item needs plenty of selling, the agent is the man to do it; but if the item is a common, stock item, the distributor can do the job better, other things being equal. Thus the manufacturer contemplating export must, among other things, study carefully the type of service and the promotion job he needs in his foreign market before making a decision on the type of representation he will use.

#### Countries with Which Atlanta Manufacturers Trade

Georgia's proximity to Central and South America has a direct effect on the popularity of these countries with Atlanta exporters. Central and South America and the West Indies are quite popular, with Canada a poor fourth (See Table 3). This trend is not in keeping with the United States as a whole,

TABLE 3  
COUNTRIES WITH WHICH ATLANTA EXPORTERS  
AND IMPORTERS TRADE

Country	Number of Atlanta Firms Mentioning Shipments to and from This Country
Central America, including Mexico	112
South America	111
West Indies, including Cuba	101
(Total South-of-the-Border)	(324)
Canada	45
Western Europe	33
United Kingdom	31
Far East	19
South Africa	18
Scandinavian Countries	15
Near East	14
Australia, New Zealand	13
North Africa	12
Indian sub-continent	7
Hawaii	2
Union of South Africa	1
All friendly countries	31

Note: The column totals more than the number of Atlanta firms designated as engaged in foreign trade because some firms ship to more than one country.

Source: World Trade Directory, 1955, Atlanta Chamber of Commerce.

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which favors Canada, Western Europe, and the United Kingdom in shipping abroad.

Countries with which Atlanta exporters rarely do business include Russia and its satellites, Egypt, Asia Minor, and Greenland.

#### Credit Problems in Export Sales

The collection of payments is a major problem in export marketing. A knowledge of credit terms abroad as well as experience with the pay habits of customers is of major importance. Inasmuch as the bulk of Georgia's export trade is with Central and South America, it seems fitting to conclude this discussion with an examination of the credit experience of sellers and the credit instruments used in foreign trade to these areas.

The volume of export sales to Latin America increased almost nine hundred per cent during the period 1937-1957, and 70 per cent between 1941 and 1957. Sight draft sales, an ominous sign in domestic marketing, have increased 50 per cent since 1937, and credit sales have dropped 33 per cent. (See Table 4.)

TABLE 4  
USE OF CREDIT TERMS IN U. S. TRADE  
WITH LATIN AMERICA

Type of Credit Terms	1937	1941	1957
(Number of respondents reporting experience) ———	(308)	(514)	(118)
(Total volume of sales—millions) —————	(\$18.2)	(\$102.7)	(\$177.2)
	%	%	%
Credit —————	66	49	44
Sight draft —————	23	26	34
Letter of credit —————	11	25	20
Installment —————	0	0	2

Source: Dun's Review and Modern Industry, November, 1957, p. 85.

The payment experience for Latin America for 1957 shows 69 per cent of the accounts are paid promptly, 23 per cent slowly; and 8 per cent are slow because of exchange difficulties. For Europe and the Middle East, accounts are reported as more than 90 per cent prompt.<sup>4</sup>

For textiles, chemicals, paper and pulp, non-electrical machinery, and fabricated metal products (Atlanta's major export activities), national credit experiences with Latin America vary. Textiles are reported as 75 per cent prompt; chemicals, 65 per cent; paper, 58 per cent; machinery, 82 per cent; and fabricated metal products, 84 per cent prompt.

<sup>4</sup> Data on credit conditions obtained from Dun's Review and Modern Industry, November, 1957, p. 92.

# THE SOUTHEASTERN CORNER

by

Warren A. Walker



## METROPOLITAN GROWTH

In an analysis of the rate of economic growth of a metropolitan area, population increase is merely one of the many factors to be considered. Some of these factors, or indicators, were discussed in the "Southeastern Corner" in June 1959. In this month's article some of the less-frequently considered indicators relating to economic growth will be examined.

### AIRLINE TRAFFIC

The several indicators relating to airline traffic have come to be regarded as significant only since World War II. In this article only two of these indicators, passengers carried and tons of cargo, will be viewed. Several southeastern cities have experienced really remarkable gains in either or both of these categories.

For the sake of uniformity of comparison, findings from only two surveys will be considered here: the 1948 survey conducted by the Civil Aeronautics Administration and the 1958 survey of the Federal Aviation Agency (the successor agency).

### Passenger

In regard to passenger traffic, twenty-eight southeastern cities may be considered as air "hubs" to some degree. Of these, sixteen exceeded the percentage gain of the nation as a whole in passenger traffic from 1948 to 1958. Twelve cities doubled, or more than doubled, their passenger traffic during this period.

When examined on the basis of *rate of gain*, three southern cities were among the first eight in the nation. Miami was in second place for the nation as a whole; New Orleans, third place; and Atlanta, eighth place. (As has been pointed out several times previously, percentage gains should never be considered alone, because of the distortion that can occur.)

Philadelphia had the greatest percentage gain in the nation with 544 per cent. This represents a differential of 656,669 passengers between the two years of the surveys. Atlanta, in eighth place, with a gain of 252 per cent had a passenger differential of

TABLE 1  
NUMBER OF AIRLINE PASSENGERS  
SELECTED CITIES, 1948 AND 1958

City	1958	1948	% Incr.	Rank in Rate of Gain
Philadelphia	777,428	120,759	544	1
Miami	1,351,531	245,203	451	2
New Orleans	600,597	146,890	309	3
Chicago	4,061,654	994,867	308	4
Los Angeles	2,244,063	565,606	297	5
St. Louis	780,800	217,346	259	6
San Francisco	1,643,668	465,936	253	7
Atlanta	960,626	272,479	252	8

Source: 1948 survey conducted by the Civil Aeronautics Administration and 1958 survey by the Federal Aviation Agency.



688,147, or an excess of more than 30,000 passengers over Philadelphia's gain. Atlanta's increase also mounted to more than 200,000 over that of New Orleans.

In the case of smaller cities this distortion can become so extreme as to make the figures meaningless. For example, in the case of Huntsville, Alabama, the percentage increase works out to 2,390 per cent.

#### Cargo

In the tabulation of cargo traffic, three southern cities have the first three places in the rate of percentage gain—Miami, Atlanta, and New Orleans, in that order. Here again, Atlanta's gain in actual tonnage was nearly two to one over Miami, but the percentage gain was substantially lower. The actual tonnage differentials involved were 11,562 to 5,960.

There are two reasons for Atlanta's very large gain in this classification. The first is that Atlanta got its initial growth as a result of being a centrally located major distribution center. This aspect has continued into the air age and is still one of the cornerstones of economic progress in this city. The other is the not generally-known fact that Atlanta is a separate customs district. A very substantial volume of international trade flows through the Atlanta airport although it is not officially designated as an international airport.

#### EXPENDITURES FOR NEW PLANT AND EQUIPMENT

The writer feels that perhaps there has been too much emphasis given to the number of new enterprises locating in a particular area. An additional, and in some ways better, approach is whether the enterprises already located there are willing to expend additional capital on existing facilities. Such an approach provides an "index of confidence" expressed by men with accumulated experience in the area. It suggests that these men have found their markets expanding, the distribution facilities satisfactory, the labor market ample.

The indicator shown at the heading of this section combines both these approaches. It is a combination of all capital expenditures in the area both by new enterprises and additions to established ones. Using this indicator over the period 1954-1957, we find that a number of southern cities had expenditures in excess of a hundred million dollars.<sup>1</sup> The figures that follow refer to the metropolitan area rather than to the corporate city limits.

During this period Atlanta had more than \$157 million in such expenditures, Birmingham more than \$131 million, and Memphis more than \$104 million. Chattanooga was only a little behind these figures with slightly less than \$90 million for the same period. In each case the 1957 expenditures of this type

were substantially ahead of the 1947 figures, even when a decade of inflation is taken into account. In Atlanta the gain was 62 per cent, in Birmingham 56 per cent, and Memphis 50 per cent. Chattanooga had the greatest percentage gain with 85 per cent.

#### RETAIL SALES

There are 29 metropolitan areas in the southeastern states. During the postwar period twenty-four of these have exceeded the rate of increase for the nation as a whole. The total volume of retail sales in these metropolitan areas was \$10.6 billion in 1958.<sup>2</sup> It is interesting to note that this represents almost exactly half of the total retail transactions in the seven-state area. Total retail sales for the region were \$21.4 billion in 1958.

#### NUMBER OF RETAIL ESTABLISHMENTS

The national trend for some years has been a declining number of retail establishments. This has been partially due to the decline in the number of small merchants in rural areas. Another factor has been the tendency for the function formerly served by specialty shops to be taken over by large department stores.

In the Southeast there has been a mixed pattern in recent years. Some cities, such as Birmingham, Mobile, Columbus, Charleston, and Chattanooga, have had a reduction in the number of retail establishments but an increase in the number of individuals employed in this activity. This is a typical result of the trend toward the single unit, multipurpose store mentioned above. In other cities, such as Atlanta and Miami, there has been an increase in both the number of establishments and the number of employees. It will be noted that this pattern is typical of cities that have had a very rapid growth of suburban areas. Such areas tend to have shopping plazas to serve the retail needs of the immediate community, with the result that the trend toward the elimination of specialty shops has been reversed.

TABLE 2  
NUMBER OF RETAIL ESTABLISHMENTS AND  
EMPLOYEES—SELECTED CITIES, 1948 AND 1958

City	Number of Establishments		Number of Employees	
	1958	1948	1958	1948
Birmingham	4,922	5,164	28,973	27,505
Mobile	2,030	2,232	11,822	10,089
Columbus	1,620	1,644	8,259	6,320
Charleston	1,653	1,834	9,822	6,957
Chattanooga	2,583	2,722	13,284	12,006
Atlanta	7,456	6,342	55,935	44,537
Miami	9,406	6,804	57,351	33,936

Source: Census of Business, Bureau of The Census, U. S. Dept. of Commerce.

<sup>1</sup> Census of Business, Bureau of the Census, U. S. Department of Commerce.

<sup>2</sup> Ibid.

# JANUARY, 1960

## ATLANTA AREA ECONOMIC INDICATORS

Item	January 1960	December 1959	% Change	January 1959	% Change	% Change one month '60 over one month '59
<b>EMPLOYMENT</b>						
Job Insurance (Unemployment)						
Payments -----	\$402,625	\$672,661	-40.2	\$549,977	-26.8	-26.8
Job Insurance Claimants -----	7,829	8,078	- 3.1	8,403	- 6.8	- 6.8*
Total Non-Ag. Employment -----	360,950	366,000r	- 1.4	349,000r	+ 3.4	+ 3.4*
Manufacturing Employment -----	86,450	84,250r	+ 2.6	85,150r	+ 1.5	+ 1.5*
Average Weekly Earnings,						
Factory Workers -----	\$82.81	\$77.81	+ 6.4	\$79.59r	+ 4.0	+ 4.0*
Average Weekly Hours,						
Factory Workers -----	40.2	39.1	+ 2.8	40.4r	- 0.5	- 0.5*
Index of Help Wanted Ads (Seasonally adjusted, 1947-49 Avg. = 100) -----	178.5	165.8	+ 7.7	146.6	+21.8	+21.8
<b>CONSTRUCTION</b>						
Number of Building Permits\$-----	556	420	+32.4	645	-13.8	-13.8
Value of Building Permits\$-----	\$7,502,595	\$3,392,952	+121.1	\$7,986,461	- 6.1	- 6.1
Employees -----	19,650	23,050	-14.8	21,700r	- 9.4	- 9.4*
<b>FINANCIAL</b>						
Bank Debits (Millions) -----	\$2,049.9	\$2,267.3	- 9.6	\$1,900.3	+ 7.9	+ 7.9
Bank Deposits (Millions) -----	\$1,260.8	\$1,209.9	+ 4.2	\$1,240.1	+ 1.7	+ 1.7**
<b>OTHER</b>						
Department Store Sales Index -----	173	176	- 1.7	164	+ 5.5	+ 5.5†
Retail Food Price Index -----	114.5	114.2	+ 0.3	116.2	- 1.5	- 1.5**
Number of Telephones in Service -----	362,913	360,646	+ 0.6	325,033	+11.6	+11.6**

r—Revised  
!City of Atlanta only.

\*Average month  
N. A.—Not Available

\*\*End of period

†—Based on retail dollar amounts  
▲Data from members of the Federal Reserve System only.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

# ATLANTA BUSINESS ACTIVITY

## Lockheed's Georgia Division

The State of Georgia, particularly Atlanta, depends heavily on the area's largest manufacturing employer, the Georgia Division of Lockheed Aircraft Corporation. In 1959, this giant airframe producer paid its approximately 15,000 employees at Marietta and Dawsonville some \$92 million. This is an amazing sum when compared with the amount received by the entire state that same year for its corn crop (\$90 million), its peanut crop (\$55 million), and its tobacco crop (\$49 million).

Yet, it becomes more understandable when we learn that the Marietta plant is the largest aircraft plant under one roof in the United States—76 acres of floor space embraced by one huge, windowless, completely air-conditioned building.

In an area that sorely needs manufacturing employment to keep abreast with national growth, Lockheed injects millions of dollars into the local and state economies, not only through its payrolls but through tax payments amounting annually to about \$1.6 million (aside from \$2.5 million in taxes collected directly or indirectly from its payrolls by local and state governments). The purchasing power created by its weekly payroll of \$1.6 million is scattered over 55 of Georgia's counties where Lockheed employees live. This is quickly absorbed into the trade channels of those communities and probably affects the entire state's commerce within a short period of time.

Further stimulus is given the state's economy by a variety of local purchases of raw materials, semi-finished and finished goods, and services by the Georgia Division. Since 1951 Lockheed has spent \$137 million in local procurement of these goods and services, 82 per cent of the business being let to the state's smaller firms. To sustain its usually high levels of employment, Lockheed's Georgia Division needs about \$200 million worth of business each year. Like the other major aircraft firms, it is heavily dependent upon Federal government purchases. But in recent years the shifting of emphasis from aircraft to missiles has resulted in a rash of contract cancellations and procurement cutbacks in aircraft. Many firms have attempted to diversify their operations to cope with the new situation. Lockheed, for example, has formed two new branches, Lockheed Nuclear Products and a Special Products organization for the design and manufacture of missile, space and aircraft support equipment.

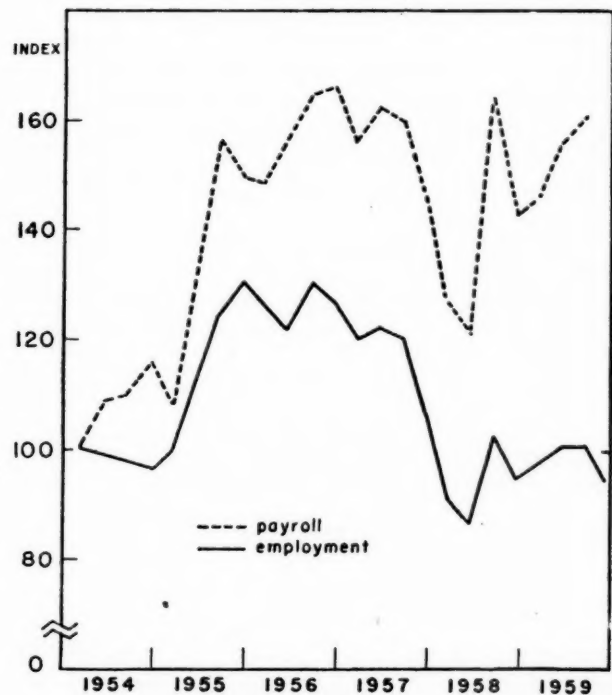
April 1960

But there seems no escape from the fact that the technology of missiles and aircraft is different enough to make major changeovers very difficult. Thus, though they have diversified their fields to some extent, many firms like Lockheed's Georgia Division are committed basically to the production of airframes.

Firms of this type have had to adopt new and vigorous sales programs designed to penetrate the foreign markets. In 1959 the Georgia Division made its first foreign sale of 12 prop-jet C-130 Hercules Airlift Transports to the Royal Australian Air Force. Many new sales offices are being opened extending into virtually every corner of the Free World.

(continued on following page)

Figure 1  
INDEX OF EMPLOYMENT AND WAGES IN AIRCRAFT  
INDUSTRY — ATLANTA METROPOLITAN AREA  
(1st quarter 1954 = 100)



Source: Georgia Employment Service.



**Georgia State College**  
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RETURN POSTAGE GUARANTEED

SECOND-CLASS POSTAGE PAID  
AT ATLANTA, GEORGIA

The impact of the changing fortunes in aircraft production can be seen in the employment figures for the Atlanta Area. Since 1956 there has been a generally steady decrease in the number of people employed in aircraft production, ranging from a high of nearly 20 thousand in 1956 to the current low of about 13 thousand. Compared with the payrolls for a comparable period, it is interesting to notice that in the face of the decline in employment, the number of dollars paid employees has actually risen. (See Figure 1.) Aside from inflation and usual wage increases, the reason for this lies in the increase of

the engineering function at the Georgia Division. In other words, there has been a disproportionate increase in the higher skilled employees (there are 19 PhD's and 177 Masters on the payroll) as compared to the lesser skilled. This is not too surprising when we remember that emphasis is shifting to the more technical fields.

Lockheed's ability to diversify and secure foreign contracts will to a large degree determine the future importance of its Georgia Division to the state of Georgia.

J. R. O.

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... by Calfrey C. Calhoun  
56 + viii pp., 8½ x 11

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Future studies will be concerned with the consulting of business education teachers in secondary schools, an evaluation of the checklist activities, and practical applications to test their effectiveness.

Mr. Calhoun is Assistant Professor of Business Education, School of Business Administration of Georgia State College of Business Administration.

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